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U. S. Department of Agriculture

MEMORANDUM FOR THE ADMINISTRATOR

REPORT OF ACTIVITIES OF THE TENANT PURCHASE DIVISION
FOR THE PERIOD FEBRUARY 1 TO 28, 1939, INCLUSIVE

1. Preparation of Material for Use in Hearings on TP Appropriation.

During February the Tenant Purchase Division was requested by the Administrator's office to prepare material pertaining to the Tenant Purchase program suitable for presentation at Congressional hearings on the Tenant Purchase appropriation. Narrative statements and tables containing information on the designation of counties, allotment of funds to states, applications received, prices paid for farms, sizes of farms, progress of the Tenant Purchase program to date, were prepared and submitted. A copy of the material is attached to the file copy of this report.

2. Follow-up on Billing and Collection Activities.

The January report recorded the completion of TP billing, collection and loan servicing procedure. Administration Letter 198 directed attention to a number of matters requiring action; notably, the amendment of notes improperly dated at the time of executing 1938 loans; issuing statements of amounts due to the Finance Division; getting out statements of accounts to borrowers. Kenneth Smith of the TP staff visited all regions except IX, X and XI during the month for the purpose of clearing up any misunderstandings in the field or any misinterpretations of instructions contained in Administration Letter 198 or Special Letter 31 of the Finance Division. This follow-up check in the field provides further evidence that the only way to get uniform interpretation of necessarily complicated instructions is through personal contact. The lag in the collection procedure is arising out of the time required to get back reports from county supervisors on the dates that borrowers occupied farms, and the consequent necessity for amending dates of first installments in borrowers'

notes. It is believed that the field now has this job pretty well in hand.

3. Study of Appraisal Methods Continued.

J. D. Pope continued field studies of appraisal methods during February. Visits were made to Regions I and XII and reports were filed on present procedures and possible modifications.

4. Restatement of Policy on Mineral Reservations.

On February 18, Acting Administrator C. B. Baldwin approved a restatement of the mineral reservations policy, which clarified without modifying the basic policy. The new statement authorizes regional directors to approve exceptions to the requirement that all mineral rights be transferred when a sufficient equity is obtained to protect the borrower in event of subsequent development of the rights. This will relieve the regional offices of the necessity for writing in for a large number of individual exceptions. The revised statement does not authorize the waiver of the requirement when for one reason or another it is entirely impossible to obtain mineral rights. Such exceptions can be granted only by the Administrator.

5. Policy to be Pursued in Event of Death of TP Borrower.

On October 11, 1938, the Solicitor's office submitted a memorandum to the Administrator setting forth various types of situations that might arise in the event of the death of Tenant Purchase borrowers, and proposed courses of legal action that might be pursued in these various instances. Some informal discussions about the matter have occurred between the Division's staff and the Solicitor's staff. The Solicitor's staff requested comment on the subject from Regional Attorneys. However, no formal action has been taken to date. The death of a borrower in Region IV finally brought this subject to an issue. The Tenant Purchase Division has informally suggested to the Solicitor's office that our policy be predicated upon the basic proposition that when surviving

members of the borrower's family desire to do so, and are qualified to do so, they should be given every assistance in carrying on as owner-operators. On the other hand, in case a surviving spouse desires to lease the property and operate it as a landlord, we should regard the purpose of the loan as being violated and proceed to possess the farm and transfer it to a borrower who will operate it as an owner-operated family-size farm.

6. Objectives Raised Against Policy on Purchasing and Moving Buildings to TP Farms

On January 13, the Administrator advised Regional Directors that the purchase of buildings for the purpose of removing them to Tenant Purchase farms should not be permitted. The reason for this action was that the Solicitor's office had reported that an examination of title of the property on which the purchased buildings stand is necessary before such buildings can safely be moved to Tenant Purchase property. Such an examination of title would involve both time and expense, and it was felt that the disadvantages would outweigh any savings which the borrower might realize through buying buildings and moving them as contrasted with constructing buildings.

Protests have been received against this policy from both Region VII and VI. There is a general trend in the Northern Great Plains area toward the consolidation of farm units. This naturally results in the abandonment of some residences and outbuildings. It is reported that these buildings can be purchased and moved to Tenant Purchase farms for a cost much less than new structures of corresponding character. Region VII therefore requested and has been granted authority to purchase and move buildings to Tenant Purchase farms. A telegram received from J. M. Brewster of the Tenant Purchase staff from Dallas, Texas, reads as follows: "Acting Administrator C. B. Baldwin's letter to all Regional Directors dated January 13, 1939 on the subject of purchasing

and moving buildings to TP farms prohibited the practice of TP borrowers purchasing buildings on one farm and moving them to their Tenant Purchase farms. There are frequent cases in which savings to borrower are much greater than cost of title examination. Regional Director should be given privilege to exercise his judgment in such situations. Desirable that this change be made as quickly as possible."

On the basis of these representations, the Tenant Purchase Division will initiate a modified statement of policy on the subject and present it to the Administrator for his consideration.

7. Tendency of Field Personnel to Advocate Fixed Rather than Variable Payment Plan Noted in Field.

The January report carries reference to instructions requesting 1938 TP borrowers to indicate their choice between the Fixed and the Variable Payment Plans. During February members of the TP staff visiting various regions encountered evidence that there is a widespread tendency among field personnel to influence borrowers in favor of the Fixed rather than the Variable Payment Plan. For example, the Director visited a TP borrower in Oklahoma who had just received a letter asking him to indicate his choice, but the questions and answers containing information on the two plans was omitted from the letter. The borrower was placed in the position of being asked to render a choice without first being properly informed. A borrower who was visited in the State of Ohio indicated that he preferred the Fixed Payment Plan but it developed that he had been advised by his Supervisor that extra payments under the Fixed Plan would enable him to skip payments later on. In other words, he had been advised that the Fixed Payment Plan would operate as a Variable Payment Plan. A Supervisor in Nebraska advised the Director of the Division that his borrowers were electing the Fixed Payment Plan, and when asked "Why?" the supervisor replied that

"It was probably due to my advice."

In justice to the Supervisors it must be said that the supply of Questions and Answers sent to the field was inadequate. That, however, has since been remedied and does not tell the entire story. The opposition to the Variable Payment Plan on the part of Supervisors doubtless grows out of the fact that the Variable Payment Plan provides a close check on his supervisory practices. Some supervisors might prefer not to have that check, and the result is that borrowers looking to them for advice are influenced to adopt the Fixed Plan. Remedial action with respect to the situation will be indicated in the March report.

8. Mid-West State Advisory Committees Question the Desirability of the Compulsory Trust Fund Requirement.

It appears that the decision of the Farmers' Home Corporation Board to waive the compulsory trust fund requirement in case State Advisory Committees opposed the plan, was well founded. The general reaction in Mid-Western and Far-Western States has been that there is likely to be resentment against the compulsory trust fund among the class of borrowers accustomed to managing financial affairs successfully. The subject was quite thoroughly discussed at sessions of the Nebraska and South Dakota State Advisory Committees. The pros and cons were fully presented. The committees were urged to give their candid opinion as to whether or not the policy was desirable. After listening to the discussion I concurred with the judgment of the committees that the policy would not be desirable in those States. On the other hand, I think that it is probably safe in those states where committees have favored the plan. There may be disadvantage in comparing results under different policies in different states on this point. The committees are not opposed to requiring borrowers to adopt the compulsory trust fund plan when their payment record is not good.

The committees are very much in favor of the Variable Payment Plan and I am inclined to think that all well-intentioned borrowers will manage their payments in such a way as to retain the Variable Payment privilege. This provides well-intentioned borrowers, and the great majority of them should fall in that class, with considerable incentive.

9. Mr. Garcia's Visit.

Advantage was taken of the National Conference of State Directors as an occasion for bringing Mr. Garcia, in charge of the TP program in Puerto Rico, to the Washington office for instruction in Rehabilitation procedure. Many of the Tenant Purchase borrowers in Puerto Rico will require a Rehabilitation loan. Much of the Rehabilitation literature must be translated into Spanish for use in Puerto Rico. Certain forms must also be revised. It appeared that the best way to bring Puerto Rico into line on the Rehabilitation phase of the program was to give Mr. Garcia an opportunity to observe the working out of Rehabilitation on the Mainland. He sat through the State Directors' conference, conferred with staff members in the TP Division and in the RR Division, and then accompanied Kenneth Smith on visits to Regions IV and V. The conference and the field trip had the effect of giving Mr. Garcia a better understanding of the objectives and procedures of both the Tenant Purchase and Rehabilitation programs.

10. Dr. Danhoff Discusses Agricultural Planning in Holland.

Members of the staff of the Tenant Purchase Division had two opportunities to hear Dr. Ralph Danhoff's presentation of Agricultural Planning in Holland. Professor Danhoff is a Sociologist at the University of Michigan, and under the auspices of the Social Science Research Council, devoted two years to a study of land reclamation and agricultural planning in Holland. Dr. Danhoff's first talk occurred Tuesday afternoon, February 7, in the office of Under Secretary

M. L. Wilson. Two days later Assistant Secretary Harry L. Brown arranged for a conference attended by members of the TP staff and Baird Snyder and John Donovan of the Engineering staff. The similarity of the problems encountered in Holland and in this country was striking. There is much in the story told by Dr. Danhoff that is helpful to those engaged in agricultural planning in this country.

11. Decision Reached with Respect to Kardex in Regional Offices in Servicing TP Loans.

A conference was held in the office of Assistant Administrator C. B. Baldwin on Saturday, February 18, for the purpose of considering the use of Kardex in regional offices in servicing TP loans. The Administrator was present for part of the session, others present were Mr. Baldwin, Mr. Hudgens, Mr. Mitchell, Mr. Maddox, Mr. Brain, Mr. Anderson, Mr. Skeels, Mr. Nichol and the writer. This conference resulted in the decision that the Kardex shall be used and that instructions prepared by Mr. Skeels for standardizing Kardex signals and standardizing loan servicing should be released to the field. It was understood that Mr. Skeels would develop supplementary procedures with respect to servicing tax collections and insurance payments for Tenant Purchase borrowers, and clear these additional procedures with Mr. Brain and his staff.

A separate question with respect to revising reporting forms was held in abeyance pending accumulation of additional experience.

12. Lot Drawing by State Committees.

The Director had an opportunity to witness lot drawings by State Advisory Committees to determine tenure in office in Minnesota, Nebraska and South Dakota. The State Committees are accepting this arrangement in good spirit. There is some slight embarrassment associated with the initial drawing. In some instances the drawing is resulting in a very strong committeeman going out

the first year. When one sees that situation close at hand, however, it appears desirable to make no exceptions, or very few exceptions, to the rotation policy. If an exception is made with respect to a certain committeeman another will be very sensitive if a like exception is not made in his behalf. The plan of rotation looks like a good one and it promises to work out advantageously in the long run.

13. Graphs Showing Comparative Progress of Program in Different Regions Transmitted to Regional Directors.

Copies of the progress charts showing in graphic form the relative status of each region with respect to approval of farms, development of farm and home plans, appraisals, approval of loans in regional offices, encumbrance of funds and closing of loans, were sent to the regional directors for the first time in the month of February. When lags are indicated with respect to certain features of the work in certain regions attention is directed to that fact in accompanying letters of transmittal. It is believed that the effect of this practice may be to speed up the program where it is falling behind.

14. Field Trips.

a. The Director of the Division made field visits as follows:

Region XII, February 21-22. The first day was devoted to a conference in Amarillo attended by the regional director and his staff, state directors, district supervisors, county supervisors and county home supervisors in TP counties. The following day was devoted to inspecting TP farms in Roosevelt County, New Mexico.

Region VIII, February 23, 24, 25. The first stop was made at the office in Oklahoma City where conferences were held with the state director and the entire staff of District Farm and Home Supervisors who were assembled for conference. Tenant Purchase farms were visited in Caddo, Kiowa, Washita and Grady Counties, Oklahoma. One day was spent in the regional office in Dallas,

conferring with the regional director and members of his administrative staff and TP personnel.

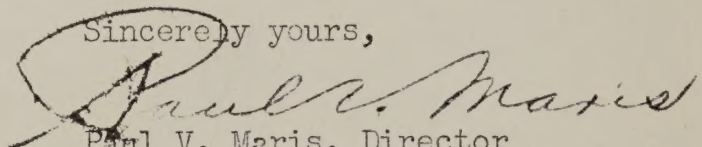
Region VII, February 27-28. Annual conference of the entire FSA staff of Nebraska.

b. Kenneth Smith of the Tenant Purchase staff continued his trip started January 25, visiting all regions except IX, X and XI for the purpose of determining the progress of the TP program, assisting with note amendment procedure and coordinating the new collection instructions set out in AL 198 and FC Special Letter No. 31.

c. Mr. Brewster of the Tenant Purchase staff visited county offices, TP farms and borrowers and attended regional and state conferences in Regions VI, VIII and XII during the period February 18 to 28. Particular emphasis was given to a study of organizational functions of field staffs and definite recommendations as to specific positions were made which are now under consideration.

d. Continuing his study of proposed changes in policies and procedures affecting Tenant Purchase appraisal work, Mr. Pope of the TP staff conferred with regional representatives concerned in Regions I and XII.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Paul V. Maris", is written over a circular stamp. The signature is fluid and cursive.

Paul V. Maris, Director
Tenant Purchase Division

